



Claire McCaskill

Missouri State Auditor

September 2006

Audrain County, Missouri

Years Ended

December 31, 2005 and 2004



Office Of
Missouri State Auditor
Claire McCaskill

September 2006

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, like Audrain, that do not have a county auditor. In addition to a financial audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

The financial condition of the General Revenue Fund has declined significantly since 2004. The cash balance decreased from \$1,650,027 at January 1, 2004 to \$859,649 at December 31, 2005. Disbursements of the General Revenue Fund increased due to transfers made to the Law Enforcement Sales Tax Fund to cover jail maintenance costs. Transfers increased from \$802,000 in 2003, to \$985,000 in 2004, and to \$1,300,000 in 2005. Other items also contributed to the decline of the financial condition of the General Revenue Fund.

Formal budgets were not prepared for various county funds. Actual expenditures exceeded the budgeted amounts in various funds, and the county has significantly overestimated the amounts budgeted for the Bridge Trust Fund revenues and expenditures. The annual published financial statements did not include financial activity of some funds, and did not have expenditures listed by vendors for most funds. In addition, expenditures were approved in excess of available monies resulting in deficit fund balances for several county funds.

In the County Treasurer's office, unreconciled differences are not completely investigated when bank reconciliations are performed. Federal payroll taxes were not always paid timely resulting in approximately \$9,000 in penalties to the county. Monies held in the Tax Sale Surplus fund for more than three years have not been distributed, and a stock investment has not been properly monitored.

In the Circuit Clerk's office, old inactive cases related to monies in an old checking account have not been resolved. Receipts are not always deposited on a timely basis, and documentation is not maintained of the differences between the composition of receipts and the composition of deposits. Checks have been outstanding for a considerable length of time, and an expenditure from the Circuit Interest Fund did not appear to be a proper use of county funds.

In the County Collector's office, bank reconciliations are not formally documented, and monthly listings of liabilities are not prepared and reconciled to the reconciled bank balance. Monthly unreconcilable differences fluctuated and were not investigated.

(over)

YELLOW SHEET

Calculation errors were made and surtax collections were incorrectly distributed to various political subdivisions. In addition, the County Commission does not perform a review of the County Collector's annual settlement.

In the Associate Court's office, receipts are not posted to the computer system on a timely basis or deposited intact and on a timely basis. Current procedures allow for receipts to not be posted timely, mistakes to be made when posting, and an excessive amount of receipts to not be deposited timely. Checks received are not restrictively endorsed immediately upon receipt, and the composition of receipts is not reconciled to the composition of deposits.

Sheriff's department employees have been provided meals at a cost of \$1 from the jail. Checks remain outstanding for a considerable length of time, and unreconciled differences are not properly investigated when bank reconciliations are performed. In addition, the composition of receipts is not reconciled to the composition of deposits.

Budgets prepared for the Hospital Tax Fund and the Rothwell Trust Fund were not accurate and complete. In addition, actual expenditures for these funds exceeded the budgeted amounts.

A formal budget projecting the revenues and expenditures of the Emergency 911 Board Fund for 2006 was not prepared and the Board had not adequately made plans for its operations or repayment of its debt. At February 28, 2006, the Emergency 911 Board Fund owed Audrain County and the City of Mexico approximately \$67,000 and \$133,000, respectively.

Another area where concerns were noted related to capital assets. In addition, the audit included recommendations to the Assessor and the Public Administrator.

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AUDRAIN COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Audrain County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Audrain County, Missouri, as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Audrain County, Missouri, as of December 31, 2005 and 2004, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Audrain County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2005 and 2004, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 6, 2006, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Audrain County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Claire McCaskill
State Auditor

April 6, 2006 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Randall Gordon, CPA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	Liang Xu
	Jennifer Carter



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Audrain County, Missouri

We have audited the financial statements of various funds of Audrain County, Missouri, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated April 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Audrain County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Audrain County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Audrain County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

April 6, 2006 (fieldwork completion date)

Financial Statements

Exhibit A-1

AUDRAIN COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2005

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,504,280	2,652,752	3,297,383	859,649
Special Road and Bridge	1,024,711	2,174,666	2,161,177	1,038,200
Assessment	266,771	282,986	299,437	250,320
Bridge Trust	1,128,632	1,289,673	1,577,900	840,405
Emergency 911	19,997	362,839	403,632	(20,796)
Law Enforcement Sales Tax	31,545	2,155,275	2,205,990	(19,170)
Law Enforcement Training	1,465	4,566	5,785	246
Prosecuting Attorney Training	234	1,090	1,124	200
Prosecuting Attorney Administrative	4,272	14,355	18,386	241
Sheriff Civil Fee	7,666	46,936	54,206	396
Election Services	16,292	9,564	6,635	19,221
Prosecuting Attorney Delinquent Tax	891	2,867	3,080	678
Recorder User Fee	4,181	10,439	14,722	(102)
Recorder's Technology	4,978	6,972	8,624	3,326
Circuit Interest	17,758	756	3,861	14,653
Local Emergency Planning Commission	17,253	6,430	5,139	18,544
Victims of Domestic Violence	3,968	13,142	11,270	5,840
DARE/Investigation	364	1,431	452	1,343
Tax Maintenance	4,796	19,925	17,804	6,917
Special Law Enforcement Bond	729,542	548,230	415,339	862,433
Children's Emergency	438	1,424	633	1,229
Juvenile Assessment	1,718	280	0	1,998
Hospital Tax	147,515	478,635	510,000	116,150
Rothwell Trust	175,340	3,198	5,000	173,538
Law Library	12,055	15,626	14,284	13,397
Cemeteries	94,722	2,202	3,730	93,194
Federal Forfeiture	34,309	74	20,204	14,179
Emergency Response	699	11,653	12,234	118
Exercise Tiger Memorial	32	0	0	32
Emergency 911 Board	0	64,047	95	63,952
Total	\$ 5,256,424	10,182,033	11,078,126	4,360,331

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

AUDRAIN COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2004

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,650,027	2,676,653	2,822,400	1,504,280
Special Road and Bridge	798,181	2,151,266	1,924,736	1,024,711
Assessment	245,223	280,326	258,778	266,771
Bridge Trust	565,079	1,200,634	637,081	1,128,632
Emergency 911	88,556	292,504	361,063	19,997
Law Enforcement Sales Tax	7,618	2,183,164	2,159,237	31,545
Law Enforcement Training	245	4,504	3,284	1,465
Prosecuting Attorney Training	512	754	1,032	234
Prosecuting Attorney Administrative	7,773	24,426	27,927	4,272
Sheriff Civil Fee	1,583	54,139	48,056	7,666
Election Services	5,334	19,589	8,631	16,292
Prosecuting Attorney Delinquent Tax	1,315	3,143	3,567	891
Recorder User Fee	6,761	11,031	13,611	4,181
Recorder's Technology	6,266	7,390	8,678	4,978
Circuit Interest	17,394	364	0	17,758
Local Emergency Planning Commission	16,618	7,554	6,919	17,253
Victims of Domestic Violence	4,808	1,431	2,271	3,968
DARE/Investigation	897	735	1,268	364
Tax Maintenance	6,949	20,233	22,386	4,796
Special Law Enforcement Bond	1,079,317	532,618	882,393	729,542
Children's Emergency	609	360	531	438
Juvenile Assessment	1,363	355	0	1,718
Hospital Tax	137,478	510,037	500,000	147,515
Rothwell Trust	180,734	1,606	7,000	175,340
Law Library	7,530	15,434	10,909	12,055
Cemeteries	97,560	2,137	4,975	94,722
Federal Forfeiture	310	39,299	5,300	34,309
Emergency Response	0	1,534	835	699
Exercise Tiger Memorial	32	0	0	32
Total	\$ 4,936,072	10,043,220	9,722,868	5,256,424

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

AUDRAIN COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 11,076,860	10,088,431	(988,429)	9,947,085	9,984,816	37,731
DISBURSEMENTS	12,957,768	11,027,579	1,930,189	11,339,910	9,700,849	1,639,061
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,880,908)	(939,148)	941,760	(1,392,825)	283,967	1,676,792
CASH, JANUARY 1	5,057,743	5,114,607	56,864	4,791,414	4,830,640	39,226
CASH, DECEMBER 31	3,176,835	4,175,459	998,624	3,398,589	5,114,607	1,716,018
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	520,000	507,977	(12,023)	488,000	540,837	52,837
Sales taxes	1,020,000	1,069,223	49,223	1,000,000	1,029,215	29,215
Intergovernmental	464,000	454,651	(9,349)	408,010	472,250	64,240
Charges for services	542,000	548,496	6,496	532,600	575,052	42,452
Interest	20,000	22,159	2,159	20,000	19,084	(916)
Other	27,000	30,246	3,246	15,000	40,215	25,215
Transfers in	20,000	20,000	0	20,000	0	(20,000)
Total Receipts	2,613,000	2,652,752	39,752	2,483,610	2,676,653	193,043
DISBURSEMENTS						
County Commission	103,575	103,228	347	105,375	101,875	3,500
County Clerk	129,350	116,189	13,161	122,950	117,457	5,493
Elections	43,000	10,926	32,074	81,500	58,934	22,566
Buildings and grounds	285,500	275,460	10,040	178,000	168,475	9,525
Employee fringe benefits	270,500	238,284	32,216	216,500	200,774	15,726
County Treasurer	46,670	45,547	1,123	46,030	44,415	1,615
County Collector	98,200	89,690	8,510	98,800	84,490	14,310
Recorder of Deeds	93,890	90,375	3,515	98,034	91,865	6,169
Circuit Clerk	43,868	16,381	27,487	35,200	12,916	22,284
Associate Circuit Court	4,650	965	3,685	4,650	229	4,421
Associate Circuit (Probate)	28,736	21,564	7,172	29,803	13,975	15,828
Court administration	24,100	30,194	(6,094)	19,200	14,043	5,157
Public Administrator	48,600	47,301	1,299	46,400	45,778	622
Prosecuting Attorney	415,450	375,076	40,374	355,750	332,673	23,077
Juvenile Officer	324,400	226,012	98,388	262,910	236,807	26,103
County Coroner	28,223	20,846	7,377	26,523	27,425	(902)
Public health and welfare services	81,716	77,450	4,266	75,650	71,794	3,856
Other	244,185	211,895	32,290	249,248	213,475	35,773
Transfers out	1,400,000	1,300,000	100,000	1,122,000	985,000	137,000
Emergency Fund	78,200	0	78,200	75,000	0	75,000
Total Disbursements	3,792,813	3,297,383	495,430	3,249,523	2,822,400	427,123
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,179,813)	(644,631)	535,182	(765,913)	(145,747)	620,166
CASH, JANUARY 1	1,504,280	1,504,280	0	1,650,027	1,650,027	0
CASH, DECEMBER 31	324,467	859,649	535,182	884,114	1,504,280	620,166

Exhibit B

AUDRAIN COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	1,084,350	983,065	(101,285)	964,200	1,053,499	89,299
Intergovernmental	908,800	889,592	(19,208)	880,500	903,771	23,271
Sales	270,500	270,515	15	123,600	168,080	44,480
Interest	12,500	16,277	3,777	15,000	12,567	(2,433)
Other	10,000	15,217	5,217	5,000	13,349	8,349
Total Receipts	2,286,150	2,174,666	(111,484)	1,988,300	2,151,266	162,966
DISBURSEMENTS						
Salaries	370,100	352,089	18,011	370,100	362,162	7,938
Employee fringe benefits	154,000	137,510	16,490	133,000	121,173	11,827
Supplies	125,000	155,483	(30,483)	105,000	109,670	(4,670)
Insurance	35,000	29,979	5,021	35,000	27,570	7,430
Road and bridge materials	80,000	79,834	166	65,000	77,011	(12,011)
Equipment repairs	50,000	51,938	(1,938)	50,000	40,971	9,029
Rentals	1,000	0	1,000	1,000	0	1,000
Equipment purchases	405,000	368,956	36,044	270,000	260,974	9,026
Construction, repair, and maintenance	310,000	269,814	40,186	310,000	170,281	139,719
Special Road Districts	730,000	666,463	63,537	678,598	691,500	(12,902)
Other	105,100	29,111	75,989	149,252	63,424	85,828
Transfers out	20,100	20,000	100	20,300	0	20,300
Total Disbursements	2,385,300	2,161,177	224,123	2,187,250	1,924,736	262,514
RECEIPTS OVER (UNDER) DISBURSEMENTS	(99,150)	13,489	112,639	(198,950)	226,530	425,480
CASH, JANUARY 1	1,024,711	1,024,711	0	798,181	798,181	0
CASH, DECEMBER 31	925,561	1,038,200	112,639	599,231	1,024,711	425,480
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	285,500	274,217	(11,283)	240,095	275,458	35,363
Charges for services	7,000	8,769	1,769	3,500	4,218	718
Interest	500	0	(500)	500	650	150
Total Receipts	293,000	282,986	(10,014)	244,095	280,326	36,231
DISBURSEMENTS						
Assessor	381,920	299,437	82,483	346,806	258,778	88,028
Total Disbursements	381,920	299,437	82,483	346,806	258,778	88,028
RECEIPTS OVER (UNDER) DISBURSEMENTS	(88,920)	(16,451)	72,469	(102,711)	21,548	124,259
CASH, JANUARY 1	266,771	266,771	0	245,223	245,223	0
CASH, DECEMBER 31	177,851	250,320	72,469	142,512	266,771	124,259

Exhibit B

AUDRAIN COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>BRIDGE TRUST FUND</u>						
RECEIPTS						
Sales taxes	1,020,000	1,069,198	49,198	1,000,000	1,029,213	29,213
Intergovernmental	791,000	220,475	(570,525)	604,000	166,987	(437,013)
Interest	5,000	0	(5,000)	5,000	4,434	(566)
Total Receipts	1,816,000	1,289,673	(526,327)	1,609,000	1,200,634	(408,366)
DISBURSEMENTS						
Salaries	235,900	225,212	10,688	230,898	214,512	16,386
Office expense	9,500	7,119	2,381	7,500	5,487	2,013
Equipment	30,000	20,342	9,658	30,000	23,497	6,503
Mileage	3,000	335	2,665	3,000	775	2,225
Supplies	5,000	4,670	330	5,000	1,970	3,030
Bridge construction	2,095,000	1,320,222	774,778	1,323,000	390,840	932,160
Total Disbursements	2,378,400	1,577,900	800,500	1,599,398	637,081	962,317
RECEIPTS OVER (UNDER) DISBURSEMENTS	(562,400)	(288,227)	274,173	9,602	563,553	553,951
CASH, JANUARY 1	1,128,632	1,128,632	0	565,079	565,079	0
CASH, DECEMBER 31	566,232	840,405	274,173	574,681	1,128,632	553,951
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Telephone tax	270,000	261,307	(8,693)	290,000	271,143	(18,857)
Intergovernmental	215,000	101,475	(113,525)	0	20,000	20,000
Interest	500	0	(500)	500	732	232
Other	0	57	57	0	629	629
Total Receipts	485,500	362,839	(122,661)	290,500	292,504	2,004
DISBURSEMENTS						
Office expenditures	3,700	5,458	(1,758)	4,500	3,513	987
Equipment	136,700	191,313	(54,613)	115,700	109,610	6,090
Mileage and training	6,000	3,842	2,158	5,000	3,198	1,802
Salaries and fringe benefits	268,100	203,019	65,081	252,416	244,712	7,704
Other	500	0	500	300	30	270
Total Disbursements	415,000	403,632	11,368	377,916	361,063	16,853
RECEIPTS OVER (UNDER) DISBURSEMENTS	70,500	(40,793)	(111,293)	(87,416)	(68,559)	18,857
CASH, JANUARY 1	19,997	19,997	0	88,556	88,556	0
CASH, DECEMBER 31	90,497	(20,796)	(111,293)	1,140	19,997	18,857

Exhibit B

AUDRAIN COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	510,000	534,550	24,550	500,000	514,611	14,611
Intergovernmental	425,000	314,121	(110,879)	625,000	673,804	48,804
Interest	5,000	0	(5,000)	5,000	5,431	431
Other	1,000	6,604	5,604	1,000	4,318	3,318
Transfers in	1,400,000	1,300,000	(100,000)	1,122,000	985,000	(137,000)
Total Receipts	2,341,000	2,155,275	(185,725)	2,253,000	2,183,164	(69,836)
DISBURSEMENTS						
Sheriff	969,450	812,785	156,665	846,300	799,215	47,085
Jail	1,042,335	1,034,711	7,624	1,073,017	1,051,319	21,698
Employee fringe benefits	355,000	358,494	(3,494)	335,000	308,703	26,297
Total Disbursements	2,366,785	2,205,990	160,795	2,254,317	2,159,237	95,080
RECEIPTS OVER (UNDER) DISBURSEMENTS	(25,785)	(50,715)	(24,930)	(1,317)	23,927	25,244
CASH, JANUARY 1	31,545	31,545	0	7,618	7,618	0
CASH, DECEMBER 31	5,760	(19,170)	(24,930)	6,301	31,545	25,244
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	4,000	4,566	566	5,000	4,504	(496)
Total Receipts	4,000	4,566	566	5,000	4,504	(496)
DISBURSEMENTS						
Sheriff	5,000	5,785	(785)	4,999	3,284	1,715
Total Disbursements	5,000	5,785	(785)	4,999	3,284	1,715
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	(1,219)	(219)	1	1,220	1,219
CASH, JANUARY 1	1,465	1,465	0	245	245	0
CASH, DECEMBER 31	465	246	(219)	246	1,465	1,219
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	750	1,090	340	700	754	54
Total Receipts	750	1,090	340	700	754	54
DISBURSEMENTS						
Prosecuting Attorney	750	1,124	(374)	1,200	1,032	168
Total Disbursements	750	1,124	(374)	1,200	1,032	168
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(34)	(34)	(500)	(278)	222
CASH, JANUARY 1	234	234	0	512	512	0
CASH, DECEMBER 31	234	200	(34)	12	234	222

Exhibit B

AUDRAIN COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY ADMINISTRATIVE FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	0	6,029	6,029
Charges for services	17,000	14,355	(2,645)	14,500	18,071	3,571
Interest	150	0	(150)	150	265	115
Other	5,000	0	(5,000)	150	61	(89)
Total Receipts	22,150	14,355	(7,795)	14,800	24,426	9,626
DISBURSEMENTS						
Equipment and maintenance	26,000	18,386	7,614	20,500	27,927	(7,427)
Total Disbursements	26,000	18,386	7,614	20,500	27,927	(7,427)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,850)	(4,031)	(181)	(5,700)	(3,501)	2,199
CASH, JANUARY 1	4,272	4,272	0	7,773	7,773	0
CASH, DECEMBER 31	422	241	(181)	2,073	4,272	2,199
<u>SHERIFF CIVIL FEE FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	0	3,593	3,593
Charges for services	40,000	45,947	5,947	33,500	40,238	6,738
Interest	500	305	(195)	400	539	139
Other	5,000	684	(4,316)	0	9,769	9,769
Total Receipts	45,500	46,936	1,436	33,900	54,139	20,239
DISBURSEMENTS						
Equipment and services	53,100	54,206	(1,106)	35,400	48,056	(12,656)
Total Disbursements	53,100	54,206	(1,106)	35,400	48,056	(12,656)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,600)	(7,270)	330	(1,500)	6,083	7,583
CASH, JANUARY 1	7,666	7,666	0	1,583	1,583	0
CASH, DECEMBER 31	66	396	330	83	7,666	7,583
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	85,000	7,461	(77,539)	0	15,000	15,000
Charges for services	1,500	1,557	57	4,000	4,547	547
Interest	40	471	431	50	42	(8)
Other	0	75	75	0	0	0
Total Receipts	86,540	9,564	(76,976)	4,050	19,589	15,539
DISBURSEMENTS						
Equipment and supplies	98,000	4,466	93,534	4,500	7,406	(2,906)
Training	4,000	2,169	1,831	4,000	1,225	2,775
Total Disbursements	102,000	6,635	95,365	8,500	8,631	(131)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15,460)	2,929	18,389	(4,450)	10,958	15,408
CASH, JANUARY 1	16,292	16,292	0	5,334	5,334	0
CASH, DECEMBER 31	832	19,221	18,389	884	16,292	15,408

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AUDRAIN COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental	3,500	2,867	(633)	3,000	3,143	143
Total Receipts	3,500	2,867	(633)	3,000	3,143	143
DISBURSEMENTS						
Prosecuting Attorney	4,000	3,080	920	4,000	3,567	433
Total Disbursements	4,000	3,080	920	4,000	3,567	433
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	(213)	287	(1,000)	(424)	576
CASH, JANUARY 1	891	891	0	1,315	1,315	0
CASH, DECEMBER 31	391	678	287	315	891	576
<u>RECORDER USER FEE FUND</u>						
RECEIPTS						
Charges for services	10,000	10,212	212	10,000	10,956	956
Interest	100	227	127	100	75	(25)
Total Receipts	10,100	10,439	339	10,100	11,031	931
DISBURSEMENTS						
Recorder of Deeds	12,000	14,722	(2,722)	16,600	13,611	2,989
Total Disbursements	12,000	14,722	(2,722)	16,600	13,611	2,989
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,900)	(4,283)	(2,383)	(6,500)	(2,580)	3,920
CASH, JANUARY 1	4,181	4,181	0	6,761	6,761	0
CASH, DECEMBER 31	2,281	(102)	(2,383)	261	4,181	3,920
<u>RECORDER'S TECHNOLOGY FUND</u>						
RECEIPTS						
Charges for services	6,000	6,817	817	7,500	7,316	(184)
Interest	100	155	55	100	74	(26)
Total Receipts	6,100	6,972	872	7,600	7,390	(210)
DISBURSEMENTS						
Equipment	3,500	8,624	(5,124)	9,500	8,678	822
Total Disbursements	3,500	8,624	(5,124)	9,500	8,678	822
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,600	(1,652)	(4,252)	(1,900)	(1,288)	612
CASH, JANUARY 1	4,978	4,978	0	6,266	6,266	0
CASH, DECEMBER 31	7,578	3,326	(4,252)	4,366	4,978	612
<u>CIRCUIT INTEREST FUND</u>						
RECEIPTS						
Interest	300	756	456	600	364	(236)
Total Receipts	300	756	456	600	364	(236)
DISBURSEMENTS						
Circuit Clerk	17,000	3,861	13,139	15,000	0	15,000
Total Disbursements	17,000	3,861	13,139	15,000	0	15,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(16,700)	(3,105)	13,595	(14,400)	364	14,764
CASH, JANUARY 1	17,758	17,758	0	17,411	17,394	(17)
CASH, DECEMBER 31	1,058	14,653	13,595	3,011	17,758	14,747

Exhibit B

AUDRAIN COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LOCAL EMERGENCY PLANNING COMMISSION FUND</u>						
RECEIPTS						
Intergovernmental	7,500	6,313	(1,187)	5,000	7,425	2,425
Interest	100	117	17	50	129	79
Total Receipts	7,600	6,430	(1,170)	5,050	7,554	2,504
DISBURSEMENTS						
Other	24,600	5,139	19,461	20,000	6,919	13,081
Total Disbursements	24,600	5,139	19,461	20,000	6,919	13,081
RECEIPTS OVER (UNDER) DISBURSEMENTS	(17,000)	1,291	18,291	(14,950)	635	15,585
CASH, JANUARY 1	17,253	17,253	0	16,618	16,618	0
CASH, DECEMBER 31	253	18,544	18,291	1,668	17,253	15,585
<u>VICTIMS OF DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Intergovernmental	0	11,270	11,270	0	0	0
Charges for services	1,200	1,458	258	1,100	1,411	311
Interest	20	414	394	25	20	(5)
Total Receipts	1,220	13,142	11,922	1,125	1,431	306
DISBURSEMENTS						
Emergency shelters	5,100	11,270	(6,170)	4,999	2,271	2,728
Total Disbursements	5,100	11,270	(6,170)	4,999	2,271	2,728
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,880)	1,872	5,752	(3,874)	(840)	3,034
CASH, JANUARY 1	3,968	3,968	0	4,808	4,808	0
CASH, DECEMBER 31	88	5,840	5,752	934	3,968	3,034
<u>DARE/INVESTIGATION FUND</u>						
RECEIPTS						
Donations	1,000	1,431	431	900	735	(165)
Total Receipts	1,000	1,431	431	900	735	(165)
DISBURSEMENTS						
Supplies	1,200	452	748	1,500	1,268	232
Total Disbursements	1,200	452	748	1,500	1,268	232
RECEIPTS OVER (UNDER) DISBURSEMENTS	(200)	979	1,179	(600)	(533)	67
CASH, JANUARY 1	364	364	0	897	897	0
CASH, DECEMBER 31	164	1,343	1,179	297	364	67

Exhibit B

AUDRAIN COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	20,000	19,357	(643)	20,000	19,894	(106)
Interest	250	568	318	0	339	339
Total Receipts	20,250	19,925	(325)	20,000	20,233	233
DISBURSEMENTS						
County Collector	25,000	17,804	7,196	25,000	22,386	2,614
Total Disbursements	25,000	17,804	7,196	25,000	22,386	2,614
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,750)	2,121	6,871	(5,000)	(2,153)	2,847
CASH, JANUARY 1	4,796	4,796	0	6,949	6,949	0
CASH, DECEMBER 31	46	6,917	6,871	1,949	4,796	2,847
<u>SPECIAL LAW ENFORCEMENT BOND FUND</u>						
RECEIPTS						
Sales taxes	510,000	534,550	24,550	500,000	514,611	14,611
Interest	17,000	13,300	(3,700)	10,000	16,602	6,602
Other	0	380	380	0	1,405	1,405
Total Receipts	527,000	548,230	21,230	510,000	532,618	22,618
DISBURSEMENTS						
Bond payment	450,000	411,589	38,411	700,000	877,058	(177,058)
Administration fee	5,000	3,750	1,250	5,002	5,335	(333)
Total Disbursements	455,000	415,339	39,661	705,002	882,393	(177,391)
RECEIPTS OVER (UNDER) DISBURSEMENTS	72,000	132,891	60,891	(195,002)	(349,775)	(154,773)
CASH, JANUARY 1	729,542	729,542	0	1,079,317	1,079,317	0
CASH, DECEMBER 31	801,542	862,433	60,891	884,315	729,542	(154,773)
<u>CHILDREN'S EMERGENCY FUND</u>						
RECEIPTS						
Donations	300	1,424	1,124	700	360	(340)
Total Receipts	300	1,424	1,124	700	360	(340)
DISBURSEMENTS						
Assistance to children	1,300	633	667	1,500	531	969
Total Disbursements	1,300	633	667	1,500	531	969
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	791	1,791	(800)	(171)	629
CASH, JANUARY 1	1,050	438	(612)	1,233	609	(624)
CASH, DECEMBER 31	50	1,229	1,179	433	438	5

Exhibit B

AUDRAIN COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>JUVENILE ASSESSMENT FUND</u>						
RECEIPTS						
Interest	5	5	0	5	5	0
Other	300	275	(25)	0	350	350
Total Receipts	305	280	(25)	5	355	350
DISBURSEMENTS						
Other	2,000	0	2,000	1,000	0	1,000
Total Disbursements	2,000	0	2,000	1,000	0	1,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,695)	280	1,975	(995)	355	1,350
CASH, JANUARY 1	1,668	1,718	50	1,363	1,363	0
CASH, DECEMBER 31	(27)	1,998	2,025	368	1,718	1,350
<u>HOSPITAL TAX FUND</u>						
RECEIPTS						
Property taxes	500,000	476,885	(23,115)	450,000	509,264	59,264
Interest	4,500	1,750	(2,750)	4,050	773	(3,277)
Total Receipts	504,500	478,635	(25,865)	454,050	510,037	55,987
DISBURSEMENTS						
Health and welfare	500,000	510,000	(10,000)	450,000	500,000	(50,000)
Total Disbursements	500,000	510,000	(10,000)	450,000	500,000	(50,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,500	(31,365)	(35,865)	4,050	10,037	5,987
CASH, JANUARY 1	89,195	147,515	58,320	85,145	137,478	52,333
CASH, DECEMBER 31	93,695	116,150	22,455	89,195	147,515	58,320
<u>ROTHWELL TRUST FUND</u>						
RECEIPTS						
Interest	1,095	3,198	2,103	7,000	1,606	(5,394)
Total Receipts	1,095	3,198	2,103	7,000	1,606	(5,394)
DISBURSEMENTS						
Health and welfare	0	5,000	(5,000)	0	7,000	(7,000)
Total Disbursements	0	5,000	(5,000)	0	7,000	(7,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,095	(1,802)	(2,897)	7,000	(5,394)	(12,394)
CASH, JANUARY 1	176,234	175,340	(894)	193,200	180,734	(12,466)
CASH, DECEMBER 31	177,329	173,538	(3,791)	200,200	175,340	(24,860)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

AUDRAIN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Audrain County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Emergency 911 Board, or the Audrain County Hospital Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Library Fund	2005 and 2004
Cemeteries Fund	2005 and 2004
Federal Forfeiture Fund	2005 and 2004
Emergency Response Fund	2005 and 2004
Exercise Tiger Memorial Fund	2005 and 2004
Emergency 911 Board Fund	2005

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Sheriff Civil Fee Fund	2005 and 2004
Hospital Tax Fund	2005 and 2004
Rothwell Trust Fund	2005 and 2004
Law Enforcement Training Fund	2005
Prosecuting Attorney Training Fund	2005
Recorder User Fee Fund	2005
Recorder's Technology Fund	2005
Victims of Domestic Violence Fund	2005
Prosecuting Attorney Administrative Fund	2004
Election Services Fund	2004
Special Law Enforcement Bond Fund	2004

Although Section 50.740, RSMo, requires a balanced budget, a deficit balance was budgeted in the Juvenile Assessment Fund for the year ended December 31, 2005.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

The county's published financial statements for the years ended December 31, 2005 and 2004, included all funds presented in the accompanying financial statement.

However, the county's published financial statements for the years ended December 31, 2005 and 2004, did not disclose disbursement detail by vendor for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	2005 and 2004
Prosecuting Attorney Training Fund	2005 and 2004
Prosecuting Attorney Administrative Fund	2005 and 2004
Sheriff Civil Fee Fund	2005 and 2004
Election Services Fund	2005 and 2004
Prosecuting Attorney Delinquent Tax Fund	2005 and 2004
Recorder User Fee Fund	2005 and 2004
Recorder's Technology Fund	2005 and 2004
Circuit Interest Fund	2005 and 2004

Local Emergency Planning Commission Fund	2005 and 2004
Victims of Domestic Violence Fund	2005 and 2004
DARE/Investigation Fund	2005 and 2004
Tax Maintenance Fund	2005 and 2004
Special Law Enforcement Bond Fund	2005 and 2004
Children's Emergency Fund	2005 and 2004
Juvenile Assessment Fund	2005 and 2004
Hospital Tax Fund	2005 and 2004
Rothwell Trust Fund	2005 and 2004
Law Library Fund	2005 and 2004
Cemeteries Fund	2005 and 2004
Federal Forfeiture Fund	2005 and 2004
Emergency Response Fund	2005 and 2004
Exercise Tiger Memorial Fund	2005 and 2004
Assessment Fund	2005
Emergency 911 Board Fund	2005

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depositary bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depositary bank fails, Audrain County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's and the Emergency 911 Board's deposits at December 31, 2005 and 2004, were not exposed to custodial credit risk because they were entirely covered by federal depositary insurance or by collateral securities held by the county's or the board's custodial bank in the county's or the board's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2005 and 2004, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

3. Receivable

In April 2005, a 3/8 cent Sales Tax for Emergency Services was passed allowing for a Emergency 911 Board to be established to handle the Emergency 911 Board Fund. The Emergency 911 Board owes the county approximately \$67,000 as of February 28, 2006, as the county continued to pay Emergency 911 expenditures.

4. Prior Period Adjustments

The following funds cash balances at January 1, 2004, were not previously reported but have been added:

<u>Fund</u>	<u>Balance at January 1, 2004</u>
Prosecuting Attorney Administrative Fund	\$ 7,773
Sheriff Civil Fee Fund	1,583
Election Services Fund	5,334
Prosecuting Attorney Delinquent Tax Fund	1,315
Recorder User Fee Fund	6,761
Recorder's Technology Fund	6,266
Circuit Interest Fund	17,394
DARE/Investigation Fund	897
Tax Maintenance Fund	6,949
Children's Emergency Fund	609
Juvenile Assessment Fund	1,363
Hospital Tax Fund	137,478
Rothwell Trust Fund	180,734
Law Library Fund	7,530
Cemeteries Fund	97,560
Federal Forfeiture Fund	310
Exercise Tiger Memorial Fund	32

Supplementary Schedule

Schedule

AUDRAIN COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2005	2004
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Social Services				
14.231	Emergency Shelter Grants Program	23-5278-00 22-5278-00	\$ 11,270 0	0 10,200
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety				
16.554	National Criminal History Improvement Program	N/A	0	6,029
16.579	Byrne Formula Grant Program	2003-NCD2-036 2002-NCD2-059 2002-NCD2-041 2001-NCD2-068	83,195 11,986 53,601 0	0 0 79,406 45,353
	Program Total		148,782	124,759
Cape Girardeau County -				
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	SD200DDVX055 TF2000DDVX05	24,756 92,539	40,778 84,566
	Program Total		117,295	125,344
State Department of Public Safety				
16.592	Local Law Enforcement Block Grants Program	2003-LBG-004	0	3,593
Missouri Sheriffs' Association -				
16	Domestic Cannabis Eradication/Suppression Program	N/A	983	1,495
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO-004(29) BRO-004(28) BRO-004(27) BRO-004(26) BRO-004(24)	209,557 0 0 0 0	0 65,321 29,807 30,683 48,503
	Program Total		209,557	174,314
Department of Public Safety				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	3,961	4,424

Schedule

AUDRAIN COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2005	2004
GENERAL SERVICES ADMINISTRATION				
Passed through state:				
Office of Administration				
39.003	Donation of Federal Surplus Personal Property	N/A	1,811	0
Office of Secretary of State -				
39.011	Election Reform Payment	N/A	2,054	0
ELECTIONS ASSISTANCE COMMISSION				
Passed through state Office of Secretary of State				
90.401	Help America Vote Act Requirements Payment	N/A	5,407	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state Department of Social Services				
93.563	Child Support Enforcement	N/A	104,650	90,837
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through state Department of Public Safety				
83.544	Public Assistance Grants	2003-MU-T3-0003	0	20,000
97.004	State Domestic Preparedness Equipment Support Program	2004-GE-T4-0049	101,475	0
Total Expenditures of Federal Award:			\$ <u>707,245</u>	<u>560,995</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Notes to the Supplementary Schedule

AUDRAIN COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Audrain County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$11,270 and \$10,200 to a subrecipient under the Emergency Shelter Grants Program (CFDA number 14.231) during the years ended December 31, 2005 and 2004, respectively.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Audrain County, Missouri

Compliance

We have audited the compliance of Audrain County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Audrain County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004.

Internal Control Over Compliance

The management of Audrain County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management of Audrain County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 6, 2006 (fieldwork completion date)

Schedule

AUDRAIN COUNTY, MISSOURI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
 YEARS ENDED DECEMBER 31, 2005 AND 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Reportable conditions identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to the financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Reportable conditions identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? yes no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
16.579	Byrne Formula Grant Program
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program
93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? _____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

AUDRAIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2003, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

AUDRAIN COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2003, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

AUDRAIN COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Audrain County, Missouri, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated April 6, 2006. We also have audited the compliance of Audrain County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004, and have issued our report thereon dated April 6, 2006.

Because the Senate Bill 40 Board is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed that audit report and other applicable information.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.
2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the county board referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned

Costs. These MAR findings resulted from our audit of the financial statements of Audrain County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1.	Financial Condition
-----------	----------------------------

The County Commission’s failure to adequately monitor the budget throughout the years, perform cost analyses when necessary, and maximize revenue sources has contributed to the declining financial condition of the General Revenue Fund. The county’s General Revenue Fund cash balance has declined significantly during the year ended December 31, 2005. The following table reflects the General Revenue Fund’s receipts, disbursements, and cash balances for the two years ended December 31, 2005:

	Year Ended December 31,	
	2005	2004
Cash Balance, January 1	\$ 1,504,280	1,650,027
Receipts	2,652,752	2,676,653
Disbursements	3,297,383	2,822,400
Cash Balance, December 31	\$ 859,649	1,504,280

Additionally, the 2006 General Revenue Fund budget reflects anticipated receipts of approximately \$2,900,000, and appropriated disbursements of \$3,700,000, resulting in an estimated ending cash balance of less than \$100,000.

For 2006, the county budgeted \$50,000 for Emergency 911 disbursements. Although the Emergency 911 Board began handling its own operations in October 2005, the county continued making disbursements until February 2006 due to the lack of funds available to the Board at that time. The County has a written agreement with the Board and has budgeted the repayment of these funds in 2006. The Board owed the County approximately \$67,000 at February 28, 2006.

The significant increase in disbursements in 2005 included approximately \$100,000 in courthouse renovation loan repayments. During 2004, the county obtained a courthouse renovation loan for \$620,000 for renovations including rewiring the whole courthouse. Also, the amount transferred from the General Revenue Fund to the Law Enforcement Sales Tax Fund to cover jail maintenance payments increased significantly. While in 2003, \$802,000 was transferred, this amount increased to \$985,000 and \$1,300,000 in 2004 and 2005, respectively. The county budgeted to transfer \$1,309,000 in 2006. The increase in transfers from the General Revenue Fund to the Law Enforcement Sales Tax Fund is due to declining revenues in the Law Enforcement Sales Tax Fund. Receipts from boarding prisoners decreased approximately \$375,000 from 2004 to 2005 as federal prisoners are no longer

being housed. While receipts have decreased, disbursements have continued to increase requiring the additional transfers. The county has not performed an analysis of operating costs associated with the jail to determine what future General Revenue subsidies will be needed.

Another area for consideration is the administrative service fee transfer from the Special Road and Bridge Fund to the General Revenue Fund. In most years, a \$20,000 transfer was made. However, no transfer was made in 2004 and this amount is less than allowed by state law. Section 50.515, RSMo, allows the county to impose a fee to generate reimbursement sufficient to recoup actual disbursements made from the General Revenue Fund for the administrative services to the fund, and shall not exceed five percent of the Special Road and Bridge Fund budget. Consideration should be given to making administrative transfers from the Special Road and Bridge Fund to recoup administrative costs as allowed by state law.

To improve the financial condition of the county's General Revenue Fund, the County Commission should review disbursements and reduce discretionary spending as possible, evaluate controls and management practices to ensure efficient use of resources available to the county, and attempt to maximize all receipts in consideration of the General Revenue Fund's financial condition. The County Commission should continue to monitor the activity of the General Revenue Fund to ensure sufficient monies are available to fund county operations.

WE RECOMMEND the County Commission closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue Fund. The County Commission should perform long term planning and take advantage of opportunities to maximize receipts and offset General Revenue Fund costs as allowed by state law.

AUDITEE'S RESPONSE

The County Commission indicated they are aware of the county's financial condition and have taken steps and are considering other steps to reduce expenditures and to increase receipts. Long term planning is difficult but we will think about various long-term possibilities that may help the General Revenue Fund.

2.

Budgetary Practices and Financial Statements

Formal budgets were not prepared for various county funds. Actual expenditures exceeded the budgeted amounts in various funds, and the county has significantly overestimated the amounts budgeted for Bridge Trust Fund revenues and expenditures. The annual published financial statements did not include financial activity of some funds, and did not have expenditures listed by vendors for most funds. In addition, expenditures were approved in excess of available monies resulting in deficit fund balances for several county funds.

A. Formal budgets were not prepared for the Law Library Fund, Cemeteries Fund,

Federal Forfeiture Fund, Emergency Response Fund, and the Exercise Tiger Memorial Fund for the years ended December 31, 2005 and 2004. While some of these funds are not under the direct control of the County Commission, budgets for these funds are needed to comply with statutory provisions.

Chapter 50, RSMo, requires the preparation and filing of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds and activities, the County Commission can evaluate all county financial resources more effectively.

This condition was noted in our prior report.

- B. The County Commission and other applicable officials did not adequately monitor budget and actual expenditures, and as a result, actual expenditures exceeded the budgeted amounts in various funds as follows:

Fund	Year Ended December 31,	
	2005	2004
Law Enforcement Training	\$ 785	N/A
Prosecuting Attorney Training	374	N/A
Prosecuting Attorney Administrative	N/A	7,427
Sheriff Civil Fee	1,106	12,656
Election Services	N/A	131
Recorder User Fee	2,722	N/A
Recorder's Technology	5,124	N/A
Victims of Domestic Violence	6,170	N/A
Special Law Enforcement Bond	N/A	177,391

The County Clerk and County Commission are responsible for preparing and approving a county budget which serves as a complete financial plan for the county. However, while budget to actual data is generated by the County Clerk, it appears that the applicable officials responsible for the county funds in which overspending occurred are not reviewing the budget to actual reports and may not be aware of the legal restrictions established by the budgetary process.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

- C. The county has significantly overestimated the amounts budgeted for Bridge Trust Fund revenues and expenditures. As Exhibit B illustrates, budgeted revenues exceeded actual revenues by approximately \$500,000 and \$400,000 during the years ended December 31, 2005 and 2004, respectively. Budgeted expenditures also exceeded actual expenditures by approximately \$800,000 and \$950,000 during the years ended December 31, 2005 and 2004, respectively. Part of the reason for the significant difference between budgeted and actual revenues and expenditures appears to be due to delays in the start or completion of anticipated bridge projects.

Budgets that do not reasonably estimate the actual activity of the Bridge Trust Fund do not present an accurate financial position of the fund. The County Commission should review its budgeting procedures to ensure that budget estimates are more reasonable.

- D. The annual published financial statements did not include financial activity of some funds as required. In addition, expenditures were listed by vendor for only the General Revenue Fund, Special Road and Bridge Fund, Bridge Trust Fund, Emergency 911 Fund, and the Law Enforcement Sales Tax Fund for the two years ended December 31, 2005 and the Assessment Fund for the year ended December 31, 2004. For other restricted funds, only a “recap” indicating the beginning cash balance, receipts totals by major categories, expenditures totals by major categories and the ending cash balance was shown. Section 50.800, RSMo, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. The statute also requires detail lists of expenditures by vendor. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included, and in the appropriate detail.
- E. The County Commission approved expenditures in excess of available monies which resulted in deficit fund balances at December 31, 2005 for several county funds, as follows:

Fund	Fund Balance
Emergency 911	\$ (20,796)
Law Enforcement Sales Tax	(19,170)
Recorder User Fee	(102)

Counties are not authorized to have deficit fund balances. Article VI, Section 26(a) of the Missouri Constitution states, "No county ...shall become indebted in an amount exceeding in any year the income and revenue provided for such year plus any unencumbered balances from previous years..." The County Commission should review cash balances prior to approving expenditures for all funds to prevent this situation from reoccurring.

WE RECOMMEND the County Commission:

- A. Ensure budgets are prepared and obtained for all county funds.
- B. Refrain from authorizing expenditures in excess of budgeted amounts. If valid reasons necessitate excess expenditures, the original budget should be formally amended and filed with the State Auditor's office.
- C. Review procedures used to establish the annual Bridge Trust Fund budget and prepare more reasonable budgets.
- D. Ensure financial information for all county funds is properly reported in the annual published financial statements and ensure expenditures are listed by vendor for all county funds.
- E. Ensure expenditures are not incurred in excess of available monies.

AUDITEE'S RESPONSE

The County Commission indicated they:

- A. *Will try to do better.*
- B. *Will monitor this more closely. They will amend budgets once they realize that they will overspend expenditures.*
- C. *Will do better on this and believe they can provide better estimates. They estimated higher amounts just in case more projects were started so that they would not need to amend the budget.*
- D. *And the County Clerk will work with the County Treasurer to obtain more information so that more information can be included in the published financial statements.*
- E. *Do not plan on having this happen again and they will watch this more closely.*

In addition, they will discuss with the next County Treasurer about having all expenditures processed through the County Commission.

3.**County Treasurer's Accounting Controls and Procedures**

Unreconciled differences are not completely investigated when bank reconciliations are performed. Internal Revenue Service payroll distributions were not always paid timely resulting in a penalty to the county, and monies held in the Tax Sale Surplus Fund for more than three years have not been distributed. A stock has not been properly monitored.

- A. Although the County Treasurer prepares bank reconciliations for the county's bank accounts, unreconciled differences between bank and book balances fluctuated from month to month. Although the differences noted were investigated, the differences were not always resolved. For example, the December 31, 2005 and 2004 reconciled bank balances exceeded the various funds' book balances by \$5,947 and \$6,979, respectively. Similar discrepancies have existed in the general bank account bank reconciliations since the prior audit. Although the County Treasurer apparently reviews the reconciliations monthly, the differences fluctuate and no corrective action is taken. A thorough review would attempt to locate the errors so adjustments can be made timely.

Reconciling the fund ledger balances to the bank accounts ensures that the records are in balance. The County Treasurer should attempt to determine the reasons for differences between the fund ledger and the bank accounts and the County Commission should be consulted to determine the proper correcting entry for any unexplained differences.

This condition was noted in our prior report.

- B. The county withholds social security, medicare, and federal income taxes from employee wages and deposits them at the local bank. The Internal Revenue Service indicated the county failed to deposit federal payroll taxes timely. As a result, penalties and interest totaling \$3,165 and \$5,898 were assessed and paid during the year ended December 31, 2005 and 2004, respectively.

The County Treasurer indicated she does not agree with the Internal Revenue Service that the deposits were late. She contacts the Internal Revenue Service the day before pay day to notify the Internal Revenue Service that monies are available to be withdrawn. However, she does not know when the monies are actually withdrawn by the Internal Revenue Service. The county indicated the Internal Revenue Service told them that the monies were not available to be withdrawn and thus, penalties and interest were assessed.

Payroll transactions should be closely monitored to ensure taxes are remitted on a timely basis. Procedures need to be changed to ensure federal payroll taxes are deposited timely. In addition, the reasons for the penalties should be fully investigated and challenged if the county has evidence that the monies were available

to be withdrawn by the Internal Revenue Service. The county's failure to resolve this issue has resulted in \$9,063 of penalties and interest charges.

- C. The balance of the Tax Sale Surplus Fund at December 31, 2005 includes \$12,271 of surplus monies which have been held by the County Treasurer for more than three years. Section 140.230, RSMo, requires surplus monies from land tax sales be held by the treasurer for a period of three years. At that time the monies shall be distributed to the various school districts within the county.
- D. The County Treasurer has not adequately monitored a stock for which she is the custodian. She was not aware that this stock had been purchased by another company and that the county had not received the monies from the sale of that stock. Eventually, the monies relating to the sale of Audrain County's stock, estimated to be over \$5,000, was turned over to the State Treasurer's Office Unclaimed Property Section. Stock activity should be properly monitored to ensure the county receives all monies due. In addition, consideration should be given to selling any stocks and thus eliminate the need for monitoring.

WE RECOMMEND the County Treasurer:

- A. Reconcile the fund ledger to the county's bank accounts and review and correct identified differences. The County Commission should be consulted to determine the proper correcting entry for all unexplained differences.
- B. Ensure payroll taxes are deposited timely to avoid unnecessary penalties and interest charges. In addition, any questionable penalties should be adequately investigated and challenged.
- C. Disburse \$12,271 from the Tax Sale Surplus Fund to the school districts and ensure distributions from the fund are made on a timely basis.
- D. Contact the State Treasurer's Office Unclaimed Property Section to determine how to claim their monies.

AUDITEE'S RESPONSE

The County Treasurer indicated:

- A. *Since December 2005, the reconciliations have been off \$5,947 each month and she is working to determine this difference. She is ensuring that the reconciliations are off the same amount each month or that the new difference is the result of previously unidentified monies. Once the review has been completed, she will discuss with the County Commission on how to handle these monies.*

- B. *She feels payroll taxes are deposited timely and available for the IRS and does not understand why the IRS thinks otherwise. She has questioned the penalties but it did not do any good. She will continue to have payroll taxes deposited timely and will continue to question any penalties assessed by the IRS.*
- C. *She has already distributed \$5,006 of this amount. She will review and distribute the remaining amounts that are over three years old.*
- D. *Monies from the State Treasurer's Office regarding this stock were received on July 28, 2006.*

4. Capital Assets

Procedures and records to account for county property are not adequate. The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. Although the County Clerk does maintain capital asset listings for each office, they are not complete and procedures have not been established to ensure their accuracy.

The County Clerk maintains inventory listings of capital assets held by county officials. The County Clerk indicated she gives each county official their inventory listing annually so a physical inventory can be performed. Officials are to notify the County Clerk of any discrepancies between the inventory listing and the physical inventory. However, updated listings have not been returned to the County Clerk. Several capital assets purchased during the years ended December 31, 2005 and 2004 were not added to the listing, including a 2004 Chevrolet pickup, 2005 International Dump Truck, Caterpillar motor grader, and a digital recorder system. In addition, property records do not always include the necessary information for some assets, such as the date and method of disposal and property items were not always properly numbered, tagged, or otherwise identified.

Adequate capital asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Section 49.093, RSMo, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk. Property control tags should also be affixed to all capital asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for capital assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. Also, inventories and inspections should be performed by each county official and the County Clerk, and capital asset purchases should be periodically reconciled to capital asset additions. In addition, property control tags should be affixed.

AUDITEE'S RESPONSE

The County Commission indicated they will come up with a policy on capital assets. They will do a better job of performing inventories and documenting inventories performed. They will reconcile purchases to additions and will obtain property tags for the county's assets.

5. Assessor's Accounting Controls and Procedures

Receipt slips are not issued for some monies received, and a receipts ledger is not maintained. Receipt slips do not always indicate the method of payment, and a monthly report of fees collected is not filed with the County Commission.

The Assessor transmitted approximately \$4,200 to the County Treasurer during each of the two years ended December 31, 2005, from the sale of maps, plat books, and photocopies. While the Assessor does not collect large amounts of fees, control weaknesses such as these need to be improved.

- A. Prenumbered receipt slips are not issued for some monies received and a receipts ledger is not maintained. In addition, receipt slips do not always indicate the method of payment and the composition of receipts is not reconciled to the composition of monies transmitted to the County Treasurer.

To help ensure receipts are properly recorded and transmitted, prenumbered receipt slips should be issued for all monies received immediately upon receipt and a receipts log should be maintained. In addition, the receipt slips should indicate the method of payment and the composition of receipts should be reconciled to the composition of transmittals.

- B. A monthly report of fees collected is not filed with the County Commission. Section 50.370, RSMo, requires county officials to prepare and file with the County Commission monthly reports of fees collected.

WE RECOMMEND the Assessor:

- A. Issue prenumbered receipt slips for all monies received and maintain a receipts ledger. In addition, ensure the method of payment is indicated on all receipt slips

and reconcile the composition of receipts to the composition of monies transmitted to the County Treasurer.

- B. Prepare monthly reports of fees as required by state law.

AUDITEE'S RESPONSE

The Assessor indicated she:

- A. *Would begin keeping a receipts ledger for all monies received. The receipt ledger will list the date, purchaser, amount received, and indicate if payment was in cash or by check. Monies will be submitted to the County Treasurer monthly. Prenumbered receipt slips will be given to those who request a receipt but she will continue to not write receipt slips for those who do not wish to receive a receipt because of the cost and time involved. These items will be listed in the receipts ledger as not being issued a receipt slip. The composition of the receipts will be reconciled to the composition of monies transmitted to the County Treasurer.*
- B. *Would provide a copy of paid charges, receipt slips given, and a copy of the receipts ledger to the County Treasurer and the County Commission when the monies are turned over monthly.*

6. Circuit Clerk's Accounting Controls and Procedures
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Old inactive cases related to monies in an old checking account have not been resolved. Receipts are not always deposited on a timely basis, and documentation is not maintained of the differences between the composition of receipts and the composition of deposits. Checks have been outstanding for a considerable length of time, and an expenditure from the Circuit Interest Fund did not appear to be a proper use of county funds.

The Circuit Clerk processed approximately \$243,000 and \$165,000 in receipts from fines and court costs for criminal and civil cases during the years ending December 31, 2005 and 2004, respectively.

- A. An old checking account with a reconciled balance totaling \$58,242 (includes \$2,387 of interest) at December 31, 2005, has remained open for approximately three years after a new checking account had been opened. This bank account has old cases that are pending full collection of fees due or other additional actions. At December 31, 2001, the account had a reconciled balance of approximately \$150,000. If it appears unlikely the remaining amounts due will be collected, a court order should be obtained to allow the balance in each case to be prorated among the various court costs. Attorney General's Opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated."

Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. In addition, failure to prorate available monies when it is unlikely the balance will be collected, deprives the state and county of the use of those monies.

- B. Receipts are not always deposited on a timely basis. During September 2005, six deposits were made and averaged approximately \$2,702. During December 2004, five deposits were made and averaged approximately \$6,424. A cash count performed on January 17, 2006 totaling \$572 consisted of \$522 in cash which had been collected several days earlier. To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed \$100.
- C. While the Circuit Clerk does compare the composition of receipts to the composition of deposits made to the bank account, the follow-up on differences noted is not always documented. We noted two deposits of ten reviewed where the composition did not agree but there was no documentation that the difference had been reviewed. We obtained additional information for these two deposits and determined the differences were due to data entry errors regarding the composition of the receipt or the deposit. The Circuit Clerk should retain documentation to support her follow-up of such differences. A reconciliation of composition of receipts and deposits is necessary to ensure all monies received are properly recorded and deposited.
- D. At December 31, 2005, the JIS bank account had nine outstanding checks totaling \$294 that were over a year old and the old bank account had 126 outstanding checks totaling \$2,224 that were over a year old. In addition, the Circuit Clerk indicated the old bank account had \$633 that cannot be identified and had been in the account since before she took office in 1991. These old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be adopted to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located, these monies along with the \$633 that cannot be identified should be disposed of in accordance with state law.
- E. Food and drinks totaling \$160 were purchased for an employee's retirement party from the Circuit Interest Fund. Such purchases do not appear to be necessary or a prudent use of public funds. County officials should ensure county funds are spent only on items which are necessary and beneficial to county operations.

WE RECOMMEND the Circuit Clerk:

- A. Along with the Circuit Judge, review the older cases and determine the appropriate disposition of funds being held on inactive cases so that the old bank account can be closed.
- B. Deposit all monies intact daily or when accumulated receipts exceed \$100.

- C. Reconcile the composition of receipts to the composition of deposits. In addition, documentation should be retained of any investigations of differences noted.
- D. Ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies along with the \$633 that cannot be identified should be disposed of in accordance with state law.
- E. Ensure that all disbursements of county monies are a necessary and prudent use of county funds.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

- A. *She realizes this needs to be done; however, at this time, she does not have the time or staffing to resolve these cases. However, she has worked on this and reduced the current balance down by approximately \$15,000 to approximately \$36,000. She will continue to work on this as time permits.*
- B. *She will try to deposit more frequently.*
- C. *She will reconcile the cash/check composition and when differences in composition are noted, supporting documentation will be maintained to show how the differences were resolved.*
- D. *She will follow-up on these outstanding checks as time permits. She has turned over the \$633 to the State Treasurer's Office Unclaimed Property Section.*
- E. *This was discussed with the Judge and he indicated it was okay to use the money for these expenses. She and the Judge did not consider this to be an improper use of public funds.*

7.	County Collector's Accounting Controls and Procedures
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Bank reconciliations are not formally documented, and monthly listings of liabilities are not prepared and reconciled to the reconciled bank balance. Surtax collections were improperly distributed to various political subdivisions. In addition, the County Commission does not perform a review of the County Collector's annual settlement.

The County Collector processed approximately \$14,300,000 and \$14,600,000 from property taxes and other receipts during the years ending February 28, 2006 and 2005, respectively.

- A. Bank reconciliations are not formally documented, and monthly listings of liabilities are not prepared and reconciled to the reconciled bank balance. The County Collector indicated that although she reconciles the bank account monthly, she does not formally document her reconciliation. In addition, this reconciliation is not

compared to a monthly listing of liabilities. At February 28, 2006 the reconciled cash balance exceeded liabilities by \$628 while at February 28, 2005, liabilities exceeded the reconciled cash balance by \$415. Such differences indicate errors made throughout the year went undetected and unresolved.

Without these reconciliations, the County Collector has no assurance that all transactions have been properly recorded. To provide this assurance, formally documented bank reconciliations and identification of month-end liabilities are necessary to ensure all receipts and disbursements are properly accounted for, that cash in the bank is adequate to meet liabilities and that there is no unidentified excess or shortage in the account.

- B. Surtax collections for the years ended February 28 (29), 2006, 2005, 2004, and 2003 were improperly distributed to various political subdivisions. The distributions were based on incorrect assessed valuations for some political subdivisions as the electronic spreadsheet contained some errors when calculating the political subdivisions' assessed valuations. These errors were the result of using an amount instead of a formula on the spreadsheet. For example, the 1985 total assessed valuation for one city was entered as \$25,757,906. However, when calculating the total by using a formula, the assessed valuation total was \$19,276,051. These differences affected the distribution amounts for all political subdivisions. As a result of the improper calculations, various political subdivisions were over or underpaid as follows:

Political Subdivisions	Over (Underpaid)				Total
	2006	2005	2004	2003	
State	\$ 70	172	78	60	380
General Revenue	1,158	1,167	1,294	998	4,617
Special Road and Bridge	158	159	177	136	630
Hospital	464	467	518	399	1,848
Library	398	400	444	342	1,584
Nursing Home	111	114	120	91	436
Fire	140	143	164	129	576
Ambulance	46	47	49	39	181
Handicap Services	449	467	517	399	1,832
Schools	7,311	7,745	8,689	6,568	30,313
Roads	902	914	1,002	796	3,614
Cities	(11,207)	(11,795)	(13,052)	(9,957)	(46,011)

Section 139.600 RSMo, outlines the procedures to be followed to calculate the percentages for the first and each succeeding year the surtax is imposed. Because of the above improper allocations, political subdivisions have not received the proper amount of surtax collections.

- C. The County Commission does not review the annual settlements prepared by the County Collector. The County Clerk maintains an account book, but neither she nor the County Commission use the account book to verify the annual settlements of the County Collector. A review of the annual settlements is necessary to detect errors and omissions in the settlements.

WE RECOMMEND:

- A. The County Collector formally document monthly bank reconciliations and reconcile the cash balance to the listings of liabilities.
- B. The County Collector ensure future distributions of surtax collections are properly calculated. In addition, adjustments should be made to future distributions to correct the errors noted above.
- C. The County Commission use the account book to verify the annual settlements of the County Collector.

AUDITEE'S RESPONSE

- A. *The County Collector indicated she will formally document monthly bank reconciliations and reconcile the cash balances to the listing of liabilities. She did have a difference of \$192 in the June 2006 reconciliation and she is continuing to work on resolving this difference.*
- B. *The County Collector indicated she will check the surtax distribution worksheet and correct any errors so that future distributions are correct. In addition, she will redo and correct the past surtax distributions. The correction will be done when the next surtax distribution is performed.*
- C. *The County Commission indicated they will review the account book in order to verify the annual settlements.*

8. Associate Court's Accounting Controls and Procedures
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Receipts are not posted to the computer system (JIS) on a timely basis or deposited intact and on a timely basis. Checks received are not restrictively endorsed immediately upon receipt, and the composition of receipts is not reconciled to the composition of deposits.

The Associate Court processed approximately \$480,000 and \$428,000 in receipts from civil and criminal case fees, fines, and bonds for the years ended December 31, 2005 and 2004, respectively.

- A. Receipts are not posted to the computer system (JIS) on a timely basis or deposited intact and on a timely basis. In addition, manual receipt slips are not reconciled to

the JIS. When payments are received, a manual receipt slip is issued to the individual. Receipts are posted to the computer system as case information is entered into the JIS system or as time allows. Deposits are made two to three times a week at which time no reconciliation is performed between the manual receipt slips and JIS. A cash count totaling \$17,953 was performed on December 27, 2005 and included receipts dating back to November 2, 2005. The reconciliation of cash on hand to receipts indicated a shortage of \$659. A second cash count totaling \$7,288 was performed on March 14, 2006 and again included receipts dating back to November 2, 2005 even though a deposit totaling \$19,695 was made just prior to the cash count being conducted. The reconciliation of cash on hand to receipts indicated a shortage of \$209. After discussion, the auditee located some manual receipts slips that had been entered into the JIS system that were not marked as having been entered into the JIS system. Although, this would decrease the amount of the shortage indicated, not all of the shortage amount was resolved. Current procedures allow for receipts to not be posted timely, mistakes to be made when posting, and an excessive amount of receipts to not be deposited timely.

To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, receipts should be posted daily or when received into the JIS to ensure all receipts are posted and these receipts should be deposited daily or when accumulated receipts exceed \$100. The Associate Court should take appropriate action to investigate any overage/shortage.

- B. Checks received are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied when the checks are deposited. To reduce the risk of loss or misuse of funds, checks should be restrictively endorsed immediately upon receipt.
- C. The composition of receipts is not reconciled to the composition of deposits. For example, the daily cashier report for the August 9, 2005 deposit, showed cash of \$2,132 and checks of \$5,367 while the deposit slip showed cash of \$2,032 and checks of \$5,467 resulting in a \$100 composition difference. Additional information was obtained for various deposits and it was determined that the differences were due to data entry errors regarding the composition of the receipt. A reconciliation of composition of receipts and deposits is necessary to ensure all monies received are properly recorded and deposited.

WE RECOMMEND the Associate Court:

- A. Ensure all receipts are posted to the accounting system in a timely manner and deposited daily or when receipts exceed \$100.
- B. Restrictively endorse checks immediately upon receipt.
- C. Reconcile the composition of receipts to the composition of deposits. In addition, documentation should be retained of any investigations of differences noted.

AUDITEE'S RESPONSE

The Associate Circuit Judge indicated:

- A. *Changes have been made in our processes so that cases and monies received are processed more timely. We will continue to strive to get all cases processed in a timely manner. Currently, deposits are being made every day.*
- B. *This is being done.*
- C. *The reconciliation is being done. If any differences are noted, documentation will be maintained to support that the difference was resolved.*

9. Public Administrator's Accounting Controls and Procedures

The Public Administrator did not maintain documentation of monthly bank reconciliations and the details of receipts and disbursements were not adequate in the check register. The Public Administrator acts as the court appointed personal representative for wards and decedent estates of the Probate Court and is responsible for receiving, disbursing, and accounting for the assets of those individuals and estates. During the two years ended December 31, 2005, the Public Administrator handled approximately fifty cases.

Although the Public Administrator indicated she performs monthly bank reconciliations for each ward, no documentation of the bank reconciliations is prepared to support that the cumulative book balance in the checkbook register agreed to the bank balance or that outstanding checks and any deposits in transit were reviewed. In addition, inadequate details regarding receipts and disbursements listed in the checkbook register, such as missing dates of direct deposits and electronic transfers, make it difficult to compare the cumulative book balance to the bank balance. In a review of settlements, errors were noted such as social security deposits were not added to the checkbook register. Other instances were noted where the bank balance was recorded as the balance in the checkbook register even though the checkbook register transactions would not foot to the balance. In addition, receipts and disbursements indicated in the annual settlement did not reconcile to receipts and disbursement amounts indicated in the checkbook register. Errors occurred due to the Public Administrator not recording all social security payments, bank service charges, etc. in the checkbook register, but instead, just changing the balance in the checkbook ledger to the balance per the bank statement. Thus, monthly bank reconciliations were not adequate.

Complete and accurate cash control records, including checkbook registers, are necessary to provide accountability over funds, provide summarized financial information, and facilitate reconciliations between bank and book balances. In addition, formal documented bank reconciliations are necessary to ensure accounting records agree with bank records and to detect errors in a timely manner.

WE RECOMMEND the Public Administrator maintain complete and accurate cash control records and perform monthly documented bank reconciliations for each ward. In addition, the Probate Division should review the cash control and bank reconciliations as part of their annual settlement review.

AUDITEE'S RESPONSE

The Public Administrator indicated she will do a better job of keeping a complete and accurate cash control and will maintain formal documented bank reconciliations.

The Associate Circuit Judge indicated the cash control and the bank reconciliations will be reviewed for some cases to help ensure all receipts and disbursements are recorded in the cash control.

10. Sheriff's Accounting Controls and Procedures

Sheriff's department employees have been provided meals at a cost of \$1 from the jail. Checks remain outstanding for a considerable length of time, and unreconciled differences are not properly investigated when bank reconciliations are performed. In addition, the composition of receipts is not reconciled to the composition of deposits.

The Sheriff processed approximately \$200,000 and \$259,000 in criminal and civil fees for the years ending December 31, 2005 and 2004, respectively.

- A. Sheriff's department employees have been provided meals at a cost of \$1 from the jail. The number of meals provided is indicated on the daily menu and compared to the amount turned over to the Sheriff's bookkeeper and totaled \$3,584 and \$2,022 for the years ended December 31, 2005 and 2004, respectively. However, when asked, the average cost of jail meals could not be provided. The county's personnel policy does not address whether employees of the Sheriff's department are to be provided meals by the county. Although the Sheriff's department had a policy regarding meals, the County Commission indicated they were not aware that meals were being provided.
- B. At December 31, 2005, the criminal bank account had four outstanding checks totaling \$228 and the civil bank account had one outstanding check totaling \$367 that were over a year old. One check totaling \$210 was written to Montgomery County. It does not appear that any follow up procedures on these checks have been performed. These old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be adopted to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- C. Although bank reconciliations are prepared, differences are not investigated. At December 31, 2004, there was a \$600 difference in the criminal bank account. After

further review by the Sheriff's bookkeeper, the \$600 difference was determined to be a \$400 and a \$200 social security payment directly deposited into the account on September 7, 2004 and November 4, 2004, respectively. However, these amounts were not recorded in the accounting records until January 2005. These errors could have been more easily determined had a follow-up investigation been performed when a difference was noted. Reconciling the accounting records to the bank accounts ensures that the records are in balance and that sufficient cash is available for monthly transmittal of fees. Differences should be reviewed monthly so that the appropriate adjustments can be made.

- D. The composition of receipts is not reconciled to the composition of deposits. While receipts are compared to the deposits in total, the composition is not compared and also not documented on the deposit slips. A reconciliation of composition of receipts and deposits is necessary to ensure all monies received are properly recorded and deposited.

WE RECOMMEND the Sheriff:

- A. And the County Commission determine whether employees of the Sheriff's department should be provided meals and if necessary, update the county personnel policy. In addition, the cost of providing meals should be periodically determined and the amount charged adjusted accordingly.
- B. Ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- C. Reconcile the accounting records to the bank accounts and investigate and correct identified differences.
- D. Reconcile the composition of receipts to the composition of deposits. In addition, documentation should be retained of any investigations of differences noted.

AUDITEE'S RESPONSE

The County Commission indicated they:

- A. *Will discuss this with the Sheriff and develop a policy accordingly and ensure the amount charged agrees to the cost of the meal and the meal costs will be evaluated quarterly.*

The Sheriff indicated:

- A. *Meals are available for all employees. Employees' meals vary in number each month due to the menu. In addition, the cost for each meal is identified in the Standard Operating Procedures (SOP) of the Jail. The SOP is available to all employees of the Sheriff's department. Also, the courts allow Sheriffs to establish their own policies and procedures*

and do not require Sheriffs to follow the policies and procedures of the County Commission. The policies and procedures for meals is 1.4, C-3a and 3b, and are indicated below. Employees meals are made up from leftover food prepared by the kitchen staff. Sometimes employees are not allowed to eat because there is no leftover food available. The average cost of meals is \$1.29. Since employees meals are leftovers, \$1 per employee is a reasonable cost to charge.

1.4 C-3a Employees: All staff, including medical, dispatch, and Missouri State Highway Patrol employees may participate in the staff meal program as "employees." Meal service will be limited to individuals paying with cash or check. Employees will eat in the staff break room. The present cost is \$1 per meal.

1.4 C-3b Guests: The Sheriff, Major, or Jail Administrator may authorize the serving of meals without charges to persons rendering a special service to the facility and to certain other guests. When possible, the Sheriff, Major, or Jail Administrator will notify the Food Service Administrator, of guests needing meals. Examples of persons who may receive meals gratis include advisors, guest speakers, technicians/other rendering a service without charge, equipment demonstrators, foreign visitors, volunteers and other whose service to the facility is in the best interest of the county government. Individuals receiving government reimbursement for their services (contract employees, per-diem status personnel, etc.) are ineligible for free meals. They can purchase meals from the facility division guidelines.

- B. Outstanding checks have been followed up on and checks reissued when the person was located. For those not located, monies will be disbursed in accordance with state law.*
- C. Regarding the Social Security deposit of \$200; even though the deposit occurred in November, we were unaware of the deposit until the bank statement was received in December. By the time the statement was received, and with vacation looming, the process of preparing the December report and the reconciliation was delayed until January. We are not sure what happened with the Social Security deposit of \$400 in September. We will do a better job of ensuring the accounting records are reconciled and in investigating differences. In addition, we will no longer be getting these social security payments as this program has changed.*
- D. We will start documenting the amount of cash and the amount of checks being deposited on the deposit slips. The composition per the deposit will be compared to the composition of the receipts.*

11.**Hospital Board's Accounting Controls and Procedures**

Budgets prepared for the Hospital Tax Fund and the Rothwell Trust Fund were not accurate and complete. In addition, actual expenditures for these funds exceeded the budgeted amounts.

- A. Budgets prepared for the Hospital Tax Fund and the Rothwell Trust Fund were not accurate and complete. The budgets do not include accurate beginning available resources as beginning cash is estimated and also do not include the balance of a certificate of deposit. Therefore, the budgets do not reflect all resources available. The budgets are prepared using July balances and are not updated for the December balances. By not using year-end balances and not including the certificate of deposit amount, the beginning cash for the Hospital Tax Fund was understated by \$58,320 and \$52,333 for the years ended December 31, 2005 and 2004, respectively. The beginning cash for the Rothwell Trust Fund was overstated by \$894 and \$12,466 for the years ended December 31, 2005 and 2004, respectively. In addition, the budgets do not include all required information as the budgets did not include the prior two year's actual receipts and disbursements and the budgets were not submitted to the State Auditor's office as required.

To be of maximum assistance as a planning tool and to adequately inform the public, budgets should include all beginning available resources and the prior two years' actual receipts and disbursements. Section 50.590, RSMo, requires budgets to include the amounts for the last two completed fiscal years to provide a comparison with the estimates for the current fiscal year. In addition, Section 50.740, RSMo, requires budgets to be submitted to the State Auditor's office.

- B. Expenditures were approved in excess of budgeted amounts for the Hospital Tax Fund totaling \$10,000 and \$50,000 for the years ended December 31, 2005 and 2004, respectively. Expenditures were also approved in excess of budgeted amounts for the Rothwell Trust Fund totaling \$5,000 and \$7,000 for the years ended December 31, 2005 and 2004, respectively as no amounts were budgeted to be expended from this fund. According to Hospital personnel, the budget amounts are set at the beginning of the year before requests for funds are received from various entities. As a result, the budgeted expenditure amount may not be sufficient in comparison to actual requests for funds received during the year. The Board should consider amending the budget when actual requests exceed budget amounts or consider not approving all requests when approving these requests would cause expenditures to be in excess of budgeted amounts.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved,

including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

WE RECOMMEND the Hospital Board:

- A. Ensure the budget is prepared to accurately reflect the financial activity and ensure budgets are submitted to the State Auditor's office.
- B. Refrain from authorizing expenditures in excess of budgeted amounts. If valid reasons necessitate excess expenditures, the original budget should be formally amended and filed with the State Auditor's office.

AUDITEE'S RESPONSE

The Hospital Board indicated:

- A. *They will request the lease to be amended so that the budget can be prepared in January versus August. The 2007 approved budget will also be amended in January 2007 to accurately reflect year-end cash balances and to present the prior year history for 2006 and 2005. They will also submit a copy of the approved budget to the County Clerk and the State Auditor's office.*
- B. *Budgets will be amended should they realize that expenditures will exceed the budgeted amount and the amended budget will be filed with the County Clerk and the State Auditor's office.*

12. Emergency 911 Board's Accounting Controls and Procedures

In April 2005, a sales tax was passed to provide funding for Emergency 911 purposes. Although sales tax revenues started being received in October 2005, the revenues were not available in amounts sufficient to fund the former Emergency 911 operations. At that time, an agreement was entered into between Audrain County, the City of Mexico, and the Emergency 911 Board providing that the county and city would continue to operate the Emergency 911 until sufficient revenues became available to sustain the operations, and that both the county and city would then be reimbursed for their costs.

A formal budget projecting the revenues and expenditures of the Emergency 911 Board Fund for 2006 was not prepared and the Board has not adequately made plans for its operations or repayment of its debt. Although the Emergency 911 Board Fund balance at December 31, 2005 was \$63,952, approximately \$20,800 was due Audrain County and \$68,000 was due

the City of Mexico at that time. The Board's revenues were approximately \$68,000 in January 2006; however, additional expenses of approximately \$31,000 and \$36,000 were incurred by the County and City, respectively. Revenues in January were barely sufficient to cover January expenses and were not sufficient to pay back any amounts previously owed to Audrain County and the City of Mexico. At February 28, 2006, the Emergency 911 Board Fund owed Audrain County and the City of Mexico approximately \$67,000 and \$133,000, respectively.

To improve the financial condition of the Emergency 911 Board Fund, the Board should evaluate revenues, expenditures, and the amounts owed to Audrain County and the City of Mexico to ensure efficient use of resources available. In addition, Chapter 50, RSMo, requires the preparation and filing of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing a budget, the Board can evaluate financial resources more effectively, determine what expenditures can be incurred, and determine how the debt can be paid back.

WE RECOMMEND the Emergency 911 Board closely monitor the financial condition and take the necessary steps to improve the financial condition of the Emergency 911 Board Fund. Financial resources available and the amounts owed to Audrain County and the City of Mexico should be considered when determining expenditures. In addition, ensure a budget is prepared annually to evaluate financial resources more effectively.

AUDITEE'S RESPONSE

The Emergency 911 Board indicated they were very uncertain about the size and timing of the revenues to be generated by the new sales tax and took a very fiscally conservative approach to budgeting. They established an informal working budget in December 2005 based on the total annual revenue estimate provided by the Department of Revenue for the new sales tax. They took several months to identify all of the expense categories and to obtain figures for the previous year.

Audrain County and the City of Mexico agreed to fund the normal operating expenses until they had accrued sufficient monies to start paying their own bills. They began paying their regular monthly bills in April 2006. At the meeting in July, they established a repayment schedule for the money owed to Audrain County and the City of Mexico. The amounts approved should have all the debt repaid by the end of this calendar year.

They have set their fiscal year to begin January 1. They plan to have their annual budget process begin with a first draft in October, with the final budget approved no later than December.

Follow-Up on Prior Audit Findings

AUDRAIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Audrain County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2001, and the Twelfth Judicial Circuit - Juvenile Division audit report, issued June 2005. Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

AUDRAIN COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2001

1. Interest Allocations

Interest earned on the county revenue checking account had not been allocated to the various funds held in that account. This account earned approximately \$127,000 in interest during the period from July 2000 to December 2001. As of April 30, 2002, these interest monies had not been allocated or credited to the various funds held in the bank account.

Recommendation:

The County Treasurer allocate interest on a timely basis in accordance with state statutes and Attorney General's opinions.

Status:

Partially implemented. The \$127,000 was distributed in December 2002. The interest earned from July 2004 through December 2005 was allocated and distributed on January 23, 2006. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Fixed Assets

Various required inventories and inspections had not been performed and no reports had been filed with the County Clerk. The county's overall procedures were not adequate to ensure fixed asset purchases were included in the general fixed asset records. Additions were not always recorded in the property records as they occurred and fixed asset purchases per the expenditures records were not reconciled to additions in the property records.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish

standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.

Status:

Not implemented. See MAR finding number 4.

TWELFTH JUDICIAL CIRCUIT
JUVENILE DIVISION

1. Misappropriated Funds

Some monies receipted were not deposited. From January 1, 2003, through January 14, 2005, cash receipts totaling at least \$13,152 were not deposited.

Recommendation:

The Circuit Judge and the Chief Juvenile Officer take the necessary action to recover the missing funds, and continue to work with law enforcement officials regarding any criminal prosecution.

Status:

Partially implemented. The legal case was moved to another county and the case is still pending. The Juvenile Office has received \$8,152 from the insurance company; however, no monies have been recovered from the former bookkeeper.

2. Accounting Controls and Procedures

A. Accounting and bookkeeping duties were not adequately segregated and no independent reviews of deposits and accounting records were being performed.

B. There was no procedure in place to verify the amount and composition of monies received, for monies collected in Montgomery and Warren County, to the manual and/or JIS receipt slips which accompanied the monies. Transmittals did not occur on a regular schedule. In addition, there was no independent review performed to compare monies transmitted from the other counties to deposits made by the Audrain County juvenile office.

C. JIS receipt slips were not issued for all monies received. Manual rediform receipt slips were issued for numerous receipts and there were no procedures in place to ensure that manual receipt transactions were promptly recorded in the JIS and that the related monies were deposited. A comparison of total recorded receipts (manual and JIS) to deposits, shows that approximately \$6,408, \$6,666, and \$78 in receipts were not deposited during 2003, 2004, and early 2005, respectively. Monies were not always deposited intact or on a timely basis, and there was no procedure to

compare the composition of receipts to the composition of deposits.

- D. Bank reconciliations were not prepared for either of the checking accounts from January 2003 through January 2005. In addition, a monthly listing of open items (liabilities) was not prepared and reconciled to available cash balances. A comparison of the JIS bank account at January 14, 2005, showed that this bank account is short by at least \$6,718. The shortage would be more if the \$6,454 of manual receipts were considered. The \$412 in the older bank account could not be identified.
- E. Disbursement authorization records were altered, disbursements did not agree to approved amounts, supporting documentation was not adequately reviewed, disbursements were not always made timely, and some signed checks were never distributed.
- F. Procedures maintained for the juvenile division records needed improvements. Some restitution sheets and signed checks were located in the shred container and some records were not consolidated or filed in any logical order.

Recommendation:

The Juvenile Division:

- A. Adequately segregate the duties of receiving and depositing monies from that of recording and disbursing monies. If a proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amount deposited and an independent review of bank statements and month-end reconciliations. Any unusual items or discrepancies should be investigated promptly.
- B. Monitor and ensure that cash handling procedures are adequate at each juvenile office in the circuit.
- C. Issue a JIS receipt slip for all monies received. If it is necessary to issue manual receipt slips, the Juvenile Division needs to ensure these receipt slips are official and prenumbered, provide all necessary information, are accounted for properly, and are promptly entered into JIS. In addition, the division should deposit receipts daily or when accumulated receipts exceed \$100.
- D. Prepare monthly bank reconciliations and listings of open items, and reconcile the cash balance to the liabilities.

- E. Review supporting case information when approving disbursements and signing checks, disburse restitution monies on a regular and timely basis, and distribute checks promptly after preparation. In addition, procedures to follow up on outstanding checks should be adopted. Also, the division should consider obtaining and reviewing cancelled checks for proper details.
- F. Continue to review the available financial and case records to determine the status of amounts due from the juveniles and amounts that have been disbursed to the victims, and verify this information with juveniles with open cases. In addition, the division needs to ensure that financial records are organized for more efficiency and accountability.

Status:

A, B

&F. Implemented.

C. Partially implemented. JIS receipt slips are issued for all monies received except donations. Donations are not receipted. Although not repeated in the current MAR, our recommendation remains as stated above.

D. Partially implemented. Bank reconciliations and open item listings are prepared monthly; however, due to the fraud in the office, the reconciliation is off each month by \$10,087. Although not repeated in the current MAR, our recommendation remains as stated above.

E. Partially implemented. Cancelled checks are not obtained from the bank for review. Although not repeated in the current MAR, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

AUDRAIN COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1836, the county of Audrain was named after either James S. Audrain, a Missouri Representative or Colonel Charles H. Audrain. Audrain County is a county-organized, third-class county and is part of the Twelfth Judicial Circuit. The county seat is Mexico.

Audrain County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 213 miles of county roads and 527 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 26,458 in 1980 and 25,853 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2005	2004	2003	2002	1985*	1980**
		(in millions)					
Real estate	\$	173.2	169.0	172.4	166.6	95.3	59.1
Personal property		61.4	56.2	60.1	64.2	20.0	15.0
Railroad and utilities		32.8	31.7	31.3	33.6	25.2	18.4
Total	\$	267.4	256.9	263.8	264.4	140.5	92.5

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Audrain County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,			
		2005	2004	2003	2002
General Revenue Fund	\$.1894	.1811	.1813	.1700
Special Road and Bridge Fund *		.2878	.2878	.2798	.2700
Hospital Maintenance Fund		.1812	.1812	.1762	.1733
Senate Bill 40 Board Fund		.2100	.2100	.2073	.2039

* The county retains all tax proceeds from areas not within road districts. The county has four road districts that receives four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. The road districts also have an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2006	2005	2004	2003
State of Missouri	\$ 79,684	79,508	81,580	79,396
General Revenue Fund	515,694	495,042	511,342	466,794
Special Road and Bridge Fund	738,445	737,905	763,487	720,842
Assessment Fund	191,689	185,451	152,599	146,489
Hospital	473,847	474,121	474,544	455,127
Senate Bill 40 Board Fund	547,244	548,037	555,979	533,444
Schools Fund	9,128,787	9,105,921	9,125,113	8,868,350
Library Fund	549,616	549,854	562,499	531,578
Ambulance district	102,253	108,545	109,442	105,137
Fire districts	297,006	294,810	296,460	271,422
Special Road Districts Fund	427,944	429,058	400,237	394,038
Nursing Home Fund	82,894	88,397	88,330	84,753
Cities and Village Tax	1,185,637	1,194,239	1,175,159	1,154,012
County Employees' Retirement	55,911	58,833	59,919	52,544
Tax Maintenance Fund	19,089	19,183	17,509	7,816
County Clerk	2,179	2,290	2,335	3,165
Commissions and fees:				
General Revenue Fund	236,652	235,864	235,777	227,289
County Collector	5,600	5,600	5,600	5,600
Total	\$ 14,640,171	14,612,658	14,617,911	14,107,796

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2006	2005	2004	2003	
Real estate	94.6	95.9	95.1	93.6	%
Personal property	87.9	92.6	91.5	87.8	
Railroad and utilities	95.1	100.0	100.0	100.0	

Audrain County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Bridge Trust	.0050	2009	None	
Special Law Enforcement*	.0050	None	None	
Emergency Services (911)	.0038	None	None	

* The proceeds of this sales tax are allocated 50 percent to the Law Enforcement Sales Tax Fund and 50 percent to the Special Law Enforcement Bond Fund.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2006	2005	2004	2003	2002
County-Paid Officials:	\$				
Richard Webber, Presiding Commissioner		32,578	32,578	31,828	26,822
Roger Young, Associate Commissioner (1)		30,578	30,578	28,728	27,803
Thomas Groves, Associate Commissioner (1)		30,578	30,578	28,728	27,803
Virginia Pehle, Recorder of Deeds		45,250	45,250	44,500	38,050
Shelley Harvey, County Clerk		45,250	45,250	44,500	38,050
Jason Lamb, Prosecuting Attorney		68,500	67,000	67,000	59,050
Stuart D. Miller, Sheriff		50,850	50,850	50,100	49,500
Doris Schutte, County Treasurer		34,070	34,070	33,320	28,547
M. Pat Farnen, County Coroner		16,222	16,222	15,750	15,750
Connie J. Hagan, Public Administrator		44,500	44,500	43,750	43,750
Bonnie Hill Deimeke, County Collector (2), year ended February 28 (29),	45,250	45,250	43,425	38,946	
Marsha Peery, County Assessor (3), year ended August 31,		45,938	46,001	45,378	45,400
Don Bormann, County Surveyor (4)					

- (1) The Associate Commissioner's salary amounts included a mid-term salary increase given in 1999 pursuant to Section 50.331.13, RSMo, which the Missouri Supreme court held was unconstitutional. Both Associate Commissioners repaid their salary increases, totaling \$4,700, in monthly installments of \$200 each, beginning in July 2001. A final \$100 repayment was made in June 2003.
- (2) Includes commissions earned for collecting city property taxes of \$5,600 annually.
- (3) Includes annual compensation received from the state of \$688 in 2005, \$751 in 2004, \$878 in 2003, and \$900 in 2002.
- (4) Compensation on a fee basis.

State-Paid Officials:

Penny J. Creed, Circuit Clerk	48,500	47,850	47,300	47,300
Linda R. Hamlett, Associate Circuit Judge	96,000	96,000	96,000	96,000

The county entered into a lease agreement with a not-for-profit corporation on June 1, 1997 calling for the corporation to issue bonds of \$5,595,000 for the purpose of constructing a new jail and for the corporation to lease the jail back to the county for payments totaling the principal and interest due to the outstanding bonds. The corporation refunded the bonds and reissued new bonds totaling \$4,295,000 in June 2004 to obtain a lower interest rate. The bonds are scheduled to be paid off in 2017. The remaining principal and interest due on the bonds at December 31, 2005, was \$4,015,000 and \$1,061,044, respectively.

The county contracted with a bank on August 1, 2004 to finance the improvements to the courthouse including electrical service upgrades and general improvements and repairs. The bank issued a six year loan with total principal of \$620,000. The remaining principal and interest due on the loan at December 31, 2005, was \$539,000 and \$68,741, respectively.